



DATE: March 13, 2024

TO: Board of Commissioners

FROM: Kimberly Branam, Executive Director

SUBJECT: Report Number 24-12

Authorizing a Disposition and Development Agreement to Convey Approximately 33,071 Square Feet of Prosper Portland-Owned Property in the Lents Town Center Tax Increment Finance District

BOARD ACTION REQUESTED AND BRIEF DESCRIPTION

Adopt Resolution No. 7526

This action by the Prosper Portland Board of Commissioners (Board) will authorize the terms of a disposition and development agreement (DDA) with Palindrome Communities, LLC (Palindrome) for redevelopment of Prosper Portland-owned real property (Property) located at 9231 SE Foster Road in the Lents Town Center Tax Increment Finance District (see a Site Map and Street View in Attachment A). If approved, Palindrome will pay Prosper Portland \$1,755,000 for the Property, which it intends to develop a mixed-use/mixed-income project including market rate rental housing, commercial, and hospitality uses (Project) on the Property and on adjacent land already owned by Palindrome.

STRATEGIC ALIGNMENT AND OUTCOMES

This action will deliver on the Advance Portland objective to “activate vacant properties and storefronts with community-serving Businesses (and) attract new commercial development” in the Lents Town Center and deliver on the Lents Five-Year Action Plan (2014) goal of stimulating development that positively increases the vitality of the Lents Town Center.

BACKGROUND AND CONTEXT

The Property consists of two tax lots totaling 0.8 acres zoned CM3 (Commercial Mixed Use) (see a Property Plan in Attachment B). The western parcel includes a single-story commercial building, and the eastern parcel is vacant and undeveloped. On December 12, 2008, through Resolution No. 6654, the Prosper Portland Board authorized acquisition of the Property to further facilitate implementation of the Lents Town Center revitalization strategy. After acquisition, Prosper Portland leased the Property to a long-time Lents based antique stove and oven business. Since December 2023, the Property has been vacant.

While there has been significant transformation of Lents Town Center over the past eight years with completion of Oliver Station, Woody Guthrie, Asian Health Services Center, Lents Commons, and other projects, redevelopment of the Property has been challenging due to its proximity to the Interstate 205 southbound off-ramp, which has precluded improved access to the Property from SE Foster Road.

In June 2022, Prosper Portland listed the Property for sale through a Request for Offers (RFO) process. Palindrome, which had successfully completed multiple projects in the Lents Town Center including

Lents Commons and Bakery Blocks, submitted an offer to the RFO, which was the only one received. The proposal from Palindrome, which contemplated Palindromes intent is to develop the AIP property as part of a larger mixed-use concept that would include adjacent properties Palindrome already owns. Since September 2022, staff have been in negotiations with Palindrome for disposition of the Property consistent with the terms included in its offer.

Prosper Portland's Valuation of Real Property Policy requires valuation prior to disposition. As such, staff hired Day Appraisal Company to conduct an as-is appraisal, which was complete on June 23, 2022, valuating the Property at \$1,755,000.

EQUITY IMPACT

Prosper Portland's Construction and Business Workforce Equity Policy and Green Building Policy will apply to future development of the Property. Prosper Portland staff will communicate these requirements to Palindrome, require regular reporting and, in the event of non-compliance, take enforcement actions.

COMMUNITY PARTICIPATION AND FEEDBACK

While staff did not conduct public participation related to this action, sale of the Property is consistent with the Lents Five-Year Action Plan (2014), which was developed with considerable public input and called for, among other objectives, "promoting redevelopment and/or occupancy of Prosper Portland-owned properties."

BUDGET AND FINANCIAL INFORMATION

Disposition of the Property will generate sale revenue and eliminate asset and property management costs (approximately \$15,600 annually) currently being carried by the Lents TIF district (see the Lents TIF District Financial Summary in Attachment C). Proceeds of the sale are not currently included in the budget; therefore, staff will seek Prosper Portland Board approval of a budget revision to the Strategic Investment Fund in spring 2024 to account for this revenue.

As part of the Financial Sustainability Plan (FSP) update, staff assumed a \$1.7M sales amount for the Property. The offer from Palindrome is within two percent of this assumption and is therefore functionally equivalent to FSP 2.0 projections. Consistent with the FSP model, five percent of net sales will go towards operational needs and the balance will be allocated to the Strategic Investment Fund for small business and commercial property related loans. Additionally, 0.25 percent, or \$4,387.50, of the net proceeds will be contributed to the Construction Equity Fund, consistent with current Construction Business and Workforce Equity Policy.

RISK ASSESSMENT

There are no significant legal, operational, or financial risks related to this action. The Property and the building underwent thorough due diligence when purchased and it is not anticipated that there are environmental conditions that would need to be addressed prior to sale or as part of the valuation process. If disposition does not occur, Prosper Portland will continue to accrue property management costs and related operational risks within a TIF district that is anticipated to close in June 2024.

ATTACHMENTS

- A. Map & Street View
- B. Property Plan
- C. Lents Town Center District Financial Summary

SITE MAP AND STREET VIEW



9231 SE Foster Road



Street View Looking Northwest

AIP Building - Property Plan

Thursday, September 12, 2019 5:00 PM

Property Strategic Considerations	
Goals & Objectives	
Acquisition Date & Purpose	<p>December 18, 2008 from Oleg Kovalenko</p> <ul style="list-style-type: none"> Acquired to further facilitate implementation of the Lents Town Center revitalization strategy by redeveloping, or causing redevelopment of, blighted and/or underutilized land and buildings to help create jobs, business and housing opportunities while capitalizing on the addition of the new MAX Green Line station (Resolution 6654-December 12, 2008)
Property Plan Objective	Development Site / Inactive
2015-2020 Strategic Plan Objective(s)	Objective 1: Create Healthy, Complete Neighborhoods Throughout Portland (Outcome 1.1: Vibrant Communities & Corridors)
Financial Sustainability Plan Objective	Mission Related Investment - 6%
Equity Objective(s)	<p>Interim: Increase equitable contracting of certified firms</p> <p>Development: N/A</p>
Property Information	
Property Characteristics	
Property Code ¹	360-A00330
Property Name(s)	AIP Building
Project Name(s)	AIP Building
Property Description	Vacant warehouse building, with side yard and parking lot
Address	9231 SE Foster Road
RNumber(s)	R115527 ; R115528
Tax Lot Description(s)	BERNHARDT PK, BLOCK 1, LOT 12 EXC PT IN ST; BERNHARDT PK, BLOCK 1, LOT 13 EXC SWLY 4'
Lot Size	.36 acres (15, 604 sq ft); .40 acres (17,467 sq ft)
Building SF	6,000 sq ft
Neighborhood	
URA	Lents Town Center
Neighborhood	Lents
NMTC Census Tract	Census Tract 6.01
Opportunity Zone	Yes
Zoning	CM3-Commercial Mixed Use 3; d-Design; m-Centers Main Street
Base FAR & Height	None
Financial Baseline	

Book Value (2017)	\$630,000
Real Market Value (2017)	\$1,479,880
Appraised Value	February 24, 2016; \$625,000; Jarvis
Financial Sustainability Plan Cash Flow	(\$17,996) FY 19/20 \$290,792 Ten-year outlook including FY 19/20
Due Diligence	
Alta/As-Built	N/A
Title Report	N/A
Title Easements	N/A
Site Constraints	Restricted access through Foster Road curb cut due to proximity to freeway off ramp and TriMet bus stop.
Environmental Documents/Notes	ESA Phase I: October 2008; ESA Phase II: October 2008; Hazardous Building: October 2008; UST Certification: February 2006; No known RECs (GASB 49 17/18)
Additional Information	
Historical Background	
Interim Activity Strategy	Manage & maintain the property in a way that minimizes risks and holding costs, while maintaining it in a clean and respectable manner. Work in coordination and consultation with project management staff responsible for implementation of related development plans. Interim uses would include short-term/one-time permits only, like storage or community events.
Development Goals & Objectives	
Re-Development/Re-Use	
Active/Inactive	Inactive
Phase of Development (acquisition, community process, predev, disposition, construction)	N/A
Development Concept(s)	N/A
Action Plan / Framework(s)	N/A
URA / Community Goal(s)	N/A
Major Consultant Contracts	N/A
Major Milestone(s) & Deadline(s)	Issue RFP for disposition by end of FY 20/21 with closing by the end of FY 21/22 Permit for storage with Bucks Stove Palace expires February 28, 2020
Project Budget	See Fund 360 Budget
Project Manager	Alison Wicks
Project Team Member(s)	Ember Breckenridge (Property Manager)
Project Sponsor	Amy Edwards
Developer	N/A
Major External Stakeholder(s)	N/A

Major Bureau Partner(s)	N/A
Agency Approvals & Recommendations	
FIC Approval(s)	N/A
Board/Council Approval(s) & Recommendation(s)	N/A
Agreements	
LOI/MOU/DDA/PSA	N/A
Additional Notes	
Project File Document Location	S:\Projects\Neighborhood-URAs\Lents\Projects\AIP Building

LENTS TOWN CENTER TIF DISTRICT FINANCIAL SUMMARY

Financial Summary Forecast

Lents Town Center TIF Fund	Revision FY 2023-24	Requested FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27	Forecast FY 2027-28	Forecast FY 2028-29
Resources						
Beginning Fund Balance	45,064,074	21,770,826	10,615,229	10,238,953	10,277,225	10,350,272
Revenue						
Interest on Investments	901,281	132,352	99,487	55,609	92,120	310,193
Loan Collections	289,333	-	-	-	-	-
TIF - Short Term Debt	2,366,671	-	-	-	-	-
Property Sales	-	-	-	-	-	-
Rent and Property Income	60,000	-	-	-	-	-
Reimbursements	21,913	22,570	23,248	23,945	24,663	24,663
Total Revenue	3,639,198	154,922	122,735	79,554	116,783	334,856
Total Resources	48,703,272	21,925,748	10,737,964	10,318,507	10,394,008	10,685,128
Requirements						
Administration						
A00029-Debt Management-LTC	56,494	56,500	-	-	-	-
Administration Total	56,494	56,500	-	-	-	-
Economic Development						
Business Advancement & Traded Sector						
A00380-Lean Manufacturing-LTC	16,000	-	-	-	-	-
Community Economic Development						
A00121-Community Development-LTC	93,500	-	-	-	-	-
Business Lending						
A00208-BL -General-LTC	205,000	-	-	-	-	-
Economic Development Total	314,500	-	-	-	-	-
Housing						
A00170-Affordable Housing-LTC	2,221,056	5,357,892	-	-	-	-
Housing Total	2,221,056	5,357,892	-	-	-	-
Property Redevelopment						
Commercial Property Lending						
A00365-CPRL-General-LTC	400,000	-	-	-	-	-
Real Estate Management						
A00325-Lents Little Lge Fld-LTC	37,620	37,620	-	-	-	-
A00329-MetroAuto Bldg & Lot-LTC	30,453	31,965	33,581	35,312	37,166	38,416
A00330-ArchitctironPrdctBldg-LTC	41,815	31,675	5,430	5,970	6,570	7,228
A00554-Dagel Triangle-LTC	18,800	18,800	-	-	-	-
A00557-Tate Lot-LTC	18,951	18,951	-	-	-	-
Redevelopment Strategy						
A00331-Project Development-LTC	100,000	-	-	-	-	-
Redevelopment Grants						
A00130-Community Livability Grant-LTC	910,945	-	-	-	-	-
A00501-Prosperity Investment Program (PIP) Grant-LTC	1,110,367	-	-	-	-	-
A00672-Repair Grant-LTC	-	750,000	-	-	-	-
A00697-9101 ACTGrant-LTC	-	3,500,000	-	-	-	-
Property Redevelopment Total	2,668,951	4,389,011	39,011	41,282	43,736	45,644
Total Program Expenditures	5,261,001	9,803,403	39,011	41,282	43,736	45,644
Personnel Services	214,841	656,619	200,000	-	-	-
Total Fund Expenditures	5,475,842	10,460,022	239,011	41,282	43,736	45,644
Interfund Transfers - Indirect Charges	1,456,604	850,497	260,000	-	-	-
Interfund Transfers - Cash Transfers	20,000,000	-	-	-	-	-
Contingency	21,770,826	10,615,229	10,238,953	10,277,225	10,350,272	10,639,484
Total Fund Requirements	48,703,272	21,925,748	10,737,964	10,318,507	10,394,008	10,685,128